

Annual Report
FIRST NATIONAL STORES INC.
year ending

March 27th 1943

BOARDS

9662-7424

F510x

FIRST NATIONAL STORES INC.

Officers

ARTHUR O'KEEFFE, <i>President</i>	RALPH F. BURKARD, <i>Treasurer</i>
JAMES C. DUANE	<i>Vice-President</i>
BERNARD F. MCGOLDRICK	<i>Vice-President</i>
MORRIS JOSELOFF	<i>Vice-President</i>
JOHN L. MACNEIL	<i>Vice-President</i>
JOHN E. ELWELL	<i>Clerk</i>



Executive Committee

CHARLES F. ADAMS
RALPH F. BURKARD
MORRIS JOSELOFF
BERNARD F. MCGOLDRICK
ARTHUR O'KEEFFE



Directors

CHARLES F. ADAMS	SAMUEL JOSELOFF
CHARLES H. BURGER	JOHN L. MACNEIL
RALPH F. BURKARD	BERNARD F. MCGOLDRICK
JAMES C. DUANE	JAMES J. O'HARE
BYRON M. FLEMMING	MICHAEL J. O'HARE
ROBERT F. IRWIN	ARTHUR O'KEEFFE
MORRIS JOSELOFF	NATHANIEL E. WHITEMORE

Somerville, Massachusetts, July 21, 1943.

TO THE STOCKHOLDERS OF
FIRST NATIONAL STORES INC.:

The Annual Report of your Company for the fiscal year ending March 27, 1943 is presented herewith.

The Balance Sheet and Statement of Earnings and Surplus Account have been prepared by independent accountants, Messrs. Price, Waterhouse & Co., and their statement of comments thereon is included in this report.

Results of our operations for the year show an increase in our sales of 7.72% and a final net profit after all charges and Federal Taxes of \$3.01* per share as compared with \$2.90* per share for the previous fiscal year.

*Our Warehouse Inventories at March 27, 1943 and March 28, 1942, were valued on the basis of "last in, first out", whereas in previous fiscal years the warehouse inventories were determined on the basis of "cost or market whichever is lower". If the basis of "cost or market whichever is lower" had been used in valuing our warehouse inventories our net profit, after Federal Taxes for the fiscal year ending March 27, 1943 would have been \$3.04 per share and for the prior year ending March 28, 1942, \$3.60 per share.

In all other respects the figures given in this report are comparable with those of prior years.

The following is a condensed summary of operations for the fiscal year ending March 27, 1943, compared with operations for the fiscal year ending March 28, 1942. There is also shown the financial position of this Company at March 27, 1943, compared with March 28, 1942.

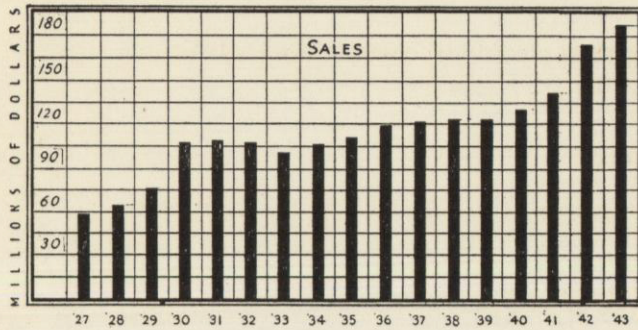
	<i>For The Fiscal Year Ending</i>	
	<i>March 27, 1943</i>	<i>March 28, 1942</i>
Retail stores sales	\$187,839,592	\$174,378,932
Net profits after taxes, depreciation and all charges and available for dividends	\$2,465,079	\$2,380,294
Earnings per share of common stock (on shares outstanding at end of year)	\$3.01	\$2.90
	<i>As of</i>	
	<i>March 27, 1943</i>	<i>March 28, 1942</i>
Net working capital (current assets less current liabilities)	\$18,154,916	\$15,392,546
Fixed or property assets (less depreciation)	\$10,034,995	\$9,703,822
Net worth	\$26,044,414	\$25,625,755
Earned surplus	\$19,308,135	\$18,889,476

On the following page graphic charts show the results of our operations for the past seven years.

DEPRECIATION CHARGES AND MAINTENANCE CHARGES

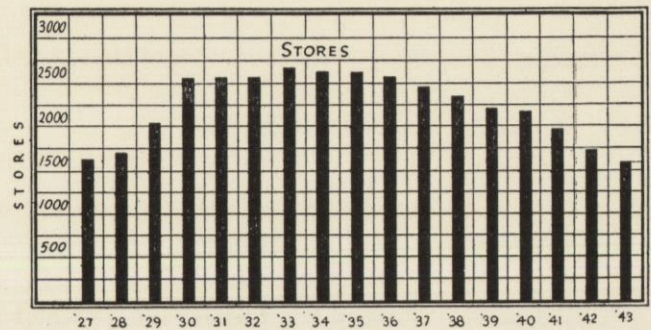
	<i>Fiscal Years</i>		
	<i>1943</i>	<i>1942</i>	<i>1941</i>
Depreciation charges	\$986,380	\$1,004,865	\$ 972,868
Maintenance repairs and renovation charges	\$952,847	\$1,118,664	\$1,132,894

The above amounts were charged to earnings in their respective years to cover the depreciation, maintenance repairs and renovation (including the cost of conversion of service stores to



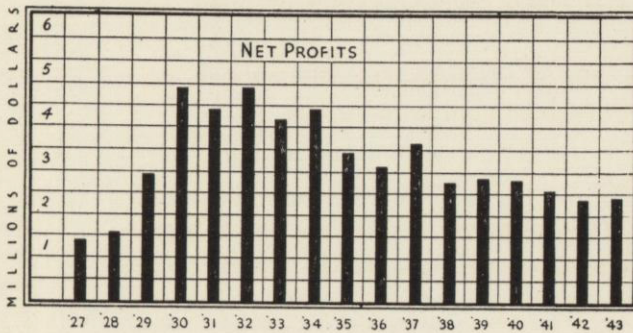
Retail Store Sales—Fiscal Years

1927	\$59,038,304	1933	\$100,892,947	1939	\$124,222,955
1928	64,445,962	1934	105,812,781	1940	131,041,157
1929	75,884,639	1935	111,323,463	1941	142,680,921
1930	107,635,216	1936	119,575,417	1942	174,378,932
1931	108,196,686	1937	120,682,961	1943	187,839,592
1932	107,634,383	1938	124,294,617		



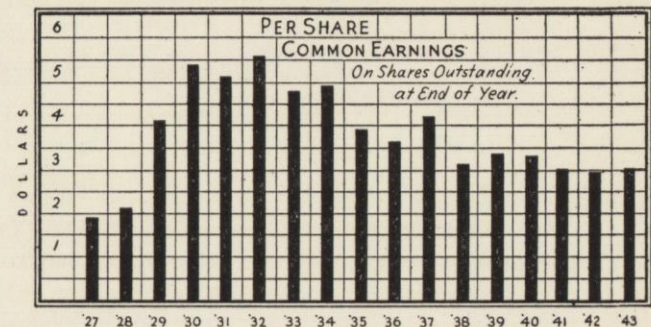
Stores—Fiscal Years

1927	1681	1933	2705	1939	2244
1928	1717	1934	2653	1940	2137
1929	2002	1935	2623	1941	1923
1930	2549	1936	2556	1942	1748
1931	2548	1937	2473	1943	1585
1932	2546	1938	2350		



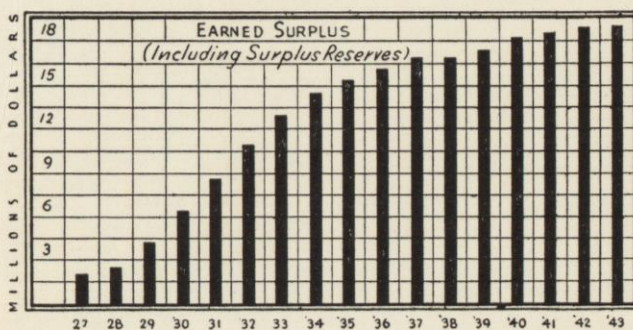
Net Profits—Fiscal Years

1927	\$1,492,193	1933	\$4,220,099	1939	\$2,774,366
1928	1,593,358	1934	4,394,830	1940	2,739,074
1929	2,904,884	1935	3,433,504	1941	2,508,719
1930	4,773,446	1936	3,163,329	1942	2,380,294
1931	4,479,108	1937	3,647,001	1943	2,465,079
1932	4,825,611	1938	2,705,191		



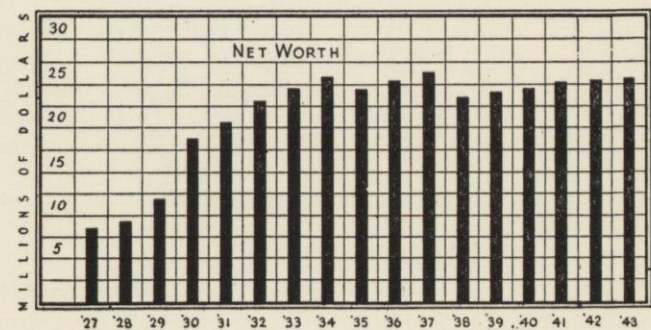
Per Share Common—Fiscal Years

1927	\$1.92	1933	\$4.78	1939	\$3.38
1928	2.09	1934	4.97	1940	3.34
1929	4.07	1935	3.89	1941	3.06
1930	5.39	1936	3.65	1942	2.90
1931	5.03	1937	4.24	1943	3.01
1932	5.52	1938	3.14		



*Surplus (Including Surplus Reserves)
Fiscal Years*

1927	\$1,996,375	1933	\$12,666,672	1939	\$17,423,131
1928	2,238,303	1934	14,213,494	1940	18,112,565
1929	3,987,782	1935	15,121,448	1941	18,572,964
1930	6,369,726	1936	16,062,827	1942	18,889,476
1931	8,371,910	1937	16,670,118	1943	19,308,135
1932	10,816,321	1938	16,688,036		



Net Worth—Fiscal Years

1927	\$8,723,782	1933	\$24,644,094	1939	\$24,216,168
1928	8,965,710	1934	26,190,916	1940	24,874,883
1929	11,724,410	1935	24,820,470	1941	25,293,286
1930	18,347,148	1936	25,761,849	1942	25,625,755
1931	20,349,333	1937	26,369,140	1943	26,044,414
1932	22,793,743	1938	23,746,089		

self-service stores) of all of our depreciable assets, including buildings owned, store and plant fixtures, improvements, machinery, equipment, automobiles and trucks.

DIVIDENDS PAID

Four quarterly dividends of 62½ cents a share totalling \$2.50 were paid for the fiscal year on the common stock outstanding.

GROCERY STORES AND MARKETS

Your company had in operation on	<i>March 27, 1943</i>	<i>March 28, 1942</i>
Grocery Stores	1,162	1,299
Markets or Combination Grocery, Fruit, Vegetable and Meat Stores	423	449
Total Grocery Stores and Markets	1,585	1,748

As of March 27, 1943, we had in operation 163 less stores in total than on March 28, 1942. Of the 1,162 grocery stores, 141 are of the Self-Service type and of the 423 combination stores, 263 are Self-Service markets.

Due to Government restrictions, we have been obliged to discontinue opening new Self-Service stores. Very likely this development will not be resumed until after the war.

BANK LOANS

During the past fiscal year we paid \$640,000 on our loan of \$4,000,000 from the First National Bank of Boston. On May 11, 1943, a further payment of \$320,000 was made and the unpaid balance at this time amounts to \$3,040,000. This loan, which calls for semi-annual payments of \$320,000 each, was made during the fiscal year ending March 28, 1942 primarily to finance the increase in our inventories caused by higher prices and increased quantities due to increased demand. The note is due in 1947 and we have the privilege of paying the balance before maturity, if we choose to do so.

TAXES

For the fiscal year ending March 27, 1943, earnings were charged with direct taxes of \$4,779,787. This amounts to 66% of our profits before taxes for the year or \$5.84 for each share of our Common Stock. A summary of our direct taxes follows:

<i>Fiscal Year</i>	<i>Total Direct Taxes</i>	<i>% of Income (before taxes)</i>	<i>Per Share On Common</i>	<i>Per Store Operated</i>
1943	\$4,779,787	66%	\$5.84	\$3,015
1942	2,647,530	52%	3.23	1,514
1941	2,002,231	44%	2.44	1,041
1940	1,656,274	37%	2.02	753
1935	1,111,096	24%	1.36	420
1930	796,693	14%	.97	324

FEDERAL TAX NOTES

Because of our greatly increased liability for Federal Taxes, combined with the desire to assist in financing the war effort, your Company purchased during the fiscal year ending March 27, 1943, \$1,500,000 of Series C United States Treasury Tax Savings Notes. These notes may only be used for the payment of Federal Taxes and it is our present plan to make additional purchases whenever possible so that eventually our full Federal Tax liability will be invested in these securities. When that is accomplished our Federal Taxes will then be on the desirable pay as you go basis.

THE CURRENT SITUATION

The reasonably satisfactory results of the past year were made possible by an increase in our sales. The situation with respect to sales and earnings since the end of our last fiscal year, however, has changed. Due to price policies which resulted in black markets, we are not able to obtain our share of the supply of foods for civilians, and consequently our sales have declined. In addition to this, early in May, O. P. A. arbitrarily and drastically reduced our prices and margins on canned fruits and vegetables, cereals and sugar. This action, together with the loss of sales above mentioned, has resulted in a reduction in our current earnings. Your Company officials and many other retail food distributors who live up to O. P. A. regulations have protested to O. P. A. asking for an immediate correction of this disturbing situation.

Relief has been promised by O. P. A.; and unless the situation is promptly corrected so as to allow sufficient operating margins, there is strong likelihood that price control will collapse which would result in great harm to our war effort and national economy. Whether this collapse will occur depends upon the action taken by the Government officials who are charged with the duty of administering rationing and price controls. Your Company officials will continue their efforts to procure a correction of existing conditions which adversely affect your Company's operations.

STOCKHOLDERS

Our latest dividend list shows 9,383 common stockholders. These shareholders reside in practically every city and town in New England where our stores are located and throughout the rest of the United States and some foreign countries as well. We have an average of nearly six stockholder-owners for each store we operate.

The following table shows the number of our common shareholders at various intervals since 1926.

1943	1938	1932	1926
9,383	9,228	4,607	1,304

We take this opportunity to record our thanks and appreciation to our employees who have loyally supported and cooperated with us during the difficult days of the past year. For the 4,000 of our employees who have joined the Military Services of our Country, we earnestly hope for a victorious, early and safe return.

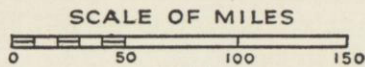
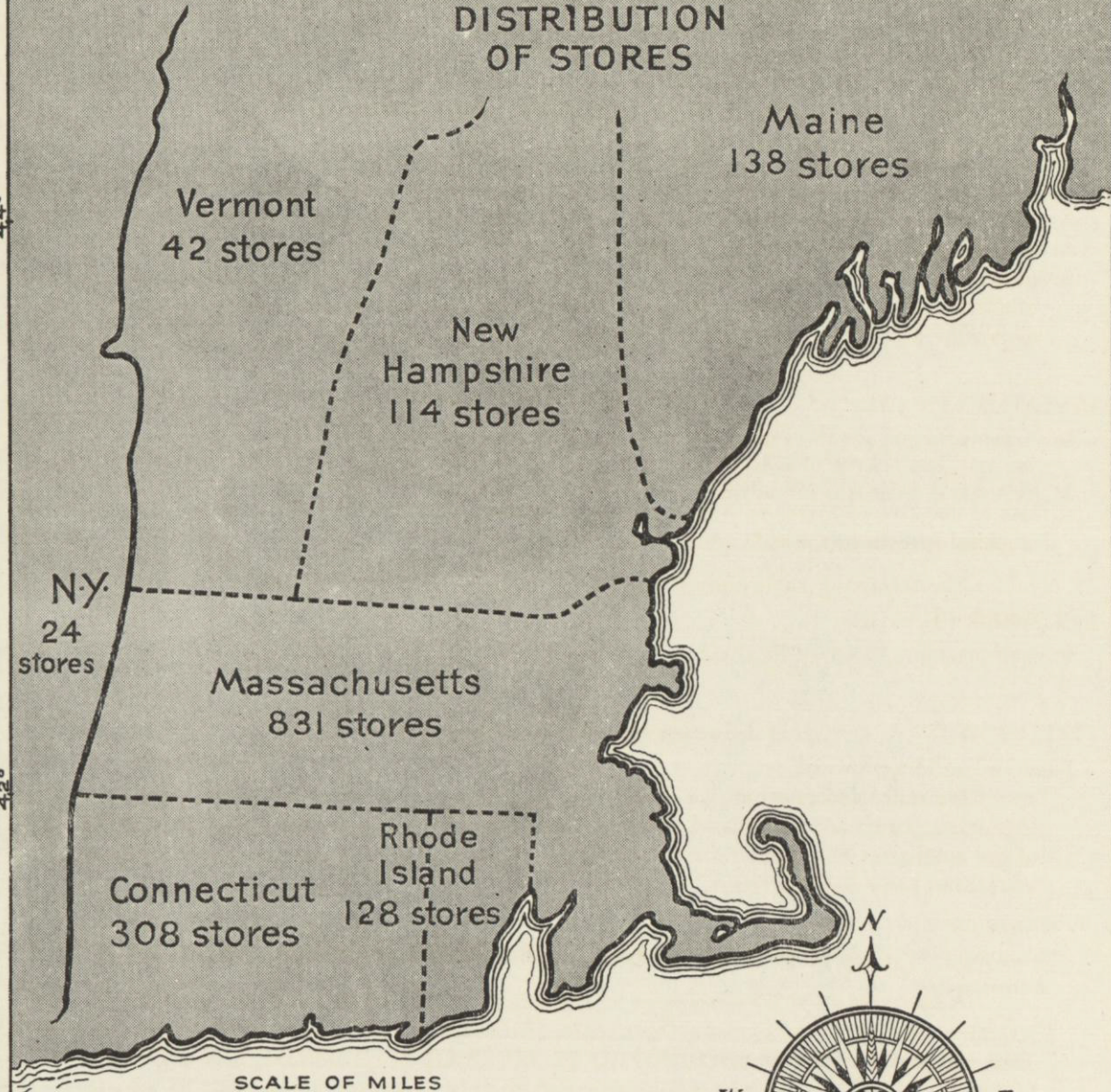
SPECIAL STOCKHOLDERS' MEETING — PROXIES

A notice of a special meeting of Stockholders, (in lieu of our usual annual meeting), proxy statement and proxy accompany this report. STOCKHOLDERS ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your Company much time and expense.

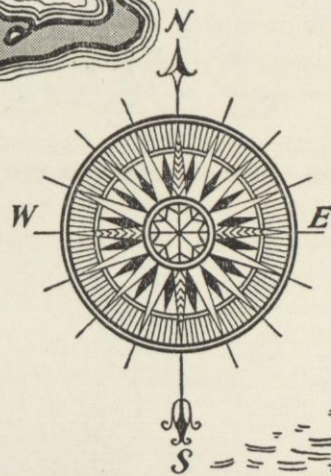
ARTHUR O'KEEFFE,
President.

FIRST NATIONAL STORES INC.

GEOGRAPHICAL DISTRIBUTION OF STORES



Total Number of Stores
as of March 27, 1943
1585



72°

70°

FIRST NATIONAL STORES INC.
Comparative Balance Sheet—March 27, 1943 and March 28, 1942

ASSETS	<i>March 27, 1943</i>	<i>March 28, 1942</i>
CURRENT ASSETS:		
Cash in banks and on hand (after deducting \$511,605 for dividends payable April 1, 1943)	\$7,407,762	\$5,788,895
U. S. Government securities (at market quotations March 27, 1943—approximately \$97,500)	94,800	80,000
Accounts receivable, less reserve	396,806	730,943
Accounts receivable—officers and employees	8,960	4,782
Inventories (see Note)	19,665,199	20,464,501
Total current assets	<u>\$27,573,527</u>	<u>\$27,069,121</u>
INVESTMENTS, ETC.:		
Investments in and advances to wholly-owned milk and creamery subsidiaries— —at cost, less reserve of \$24,730	\$317,603	\$317,603
Miscellaneous securities and advances	71,269	58,826
Total investments, etc.	<u>\$388,872</u>	<u>\$376,429</u>
DEFERRED CHARGES:		
Prepaid insurance, deferred local taxes, supplies, etc.	\$775,493	\$747,195
FIXED ASSETS (At cost, after deducting fully-depreciated assets):		
Land and buildings owned	\$8,248,885	\$7,167,191
Less—Reserve for depreciation	2,370,038	2,085,290
	<u>\$5,878,847</u>	<u>\$5,081,901</u>
Fixtures and equipment, etc.—		
Store fixtures, leased property improvements, machinery and equipment	\$6,862,119	\$7,478,783
Automobiles	386,171	573,541
	<u>\$7,248,290</u>	<u>\$8,052,324</u>
Less—Reserve for depreciation	3,092,142	3,430,403
	<u>\$4,156,148</u>	<u>\$4,621,921</u>
Total fixed assets	<u>\$10,034,995</u>	<u>\$9,703,822</u>
GOODWILL	\$1	\$1
	<u>\$38,772,888</u>	<u>\$37,896,568</u>

NOTE: Merchandise in retail stores at March 27, 1943 and March 28, 1942 was valued at approximate average cost (on the basis of first in, first out) which did not exceed market; other merchandise, materials and supplies (aggregating \$10,872,365 at March 27, 1943 and \$10,879,943 at March 28, 1942) were valued at cost on the basis of last in, first out.

FIRST NATIONAL STORES INC.

Comparative Balance Sheet—March 27, 1943 and March 28, 1942

LIABILITIES		<i>March 27,</i> <i>1943</i>	<i>March 28,</i> <i>1942</i>
CURRENT LIABILITIES:			
Note payable to bank (portion due within one year)		\$640,000	\$4,000,000
Accounts payable		4,421,861	4,455,707
Accrued local and state taxes and other expenses		1,876,545	1,464,748
Employees' investment certificates		259,220	289,100
Reserve for estimated Federal income and excess profits taxes (after deducting, at March 27, 1943, \$1,500,000 U. S. Treasury tax savings notes on hand)		2,220,985	1,467,020
Total current liabilities		\$9,418,611	\$11,676,575
 NOTE PAYABLE TO BANK (installments due after one year)		 \$2,720,000	
 RESERVES:			
For contingencies		\$334,600	\$334,600
Miscellaneous		255,263	259,638
Total reserves		\$589,863	\$594,238
 CAPITAL STOCK AND SURPLUS:			
Common stock—			
Authorized—1,000,000 shares without par value			
Issued—827,634 shares		\$6,977,422	\$6,977,422
Earned surplus		19,308,135	18,889,476
Together		\$26,285,557	\$25,866,898
 Deduct—Common stock held in treasury—			
9,057 shares, at reduced amounts carried on books		241,143	241,143
Total capital stock and surplus, less treasury stock		\$26,044,414	\$25,625,755
		\$38,772,888	\$37,896,568

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

We have examined the comparative balance sheet of First National Stores Inc. as of March 27, 1943 and March 28, 1942 and the statements of earnings and surplus for the fiscal year ending March 27, 1943. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

In our opinion, the accompanying comparative balance sheet and related statements of earnings and surplus present fairly the position of First National Stores Inc. at March 27, 1943 and March 28, 1942 and the results of its operations for the fiscal year ending March 27, 1943, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE, WATERHOUSE & CO.

Boston, Massachusetts.
June 25, 1943.

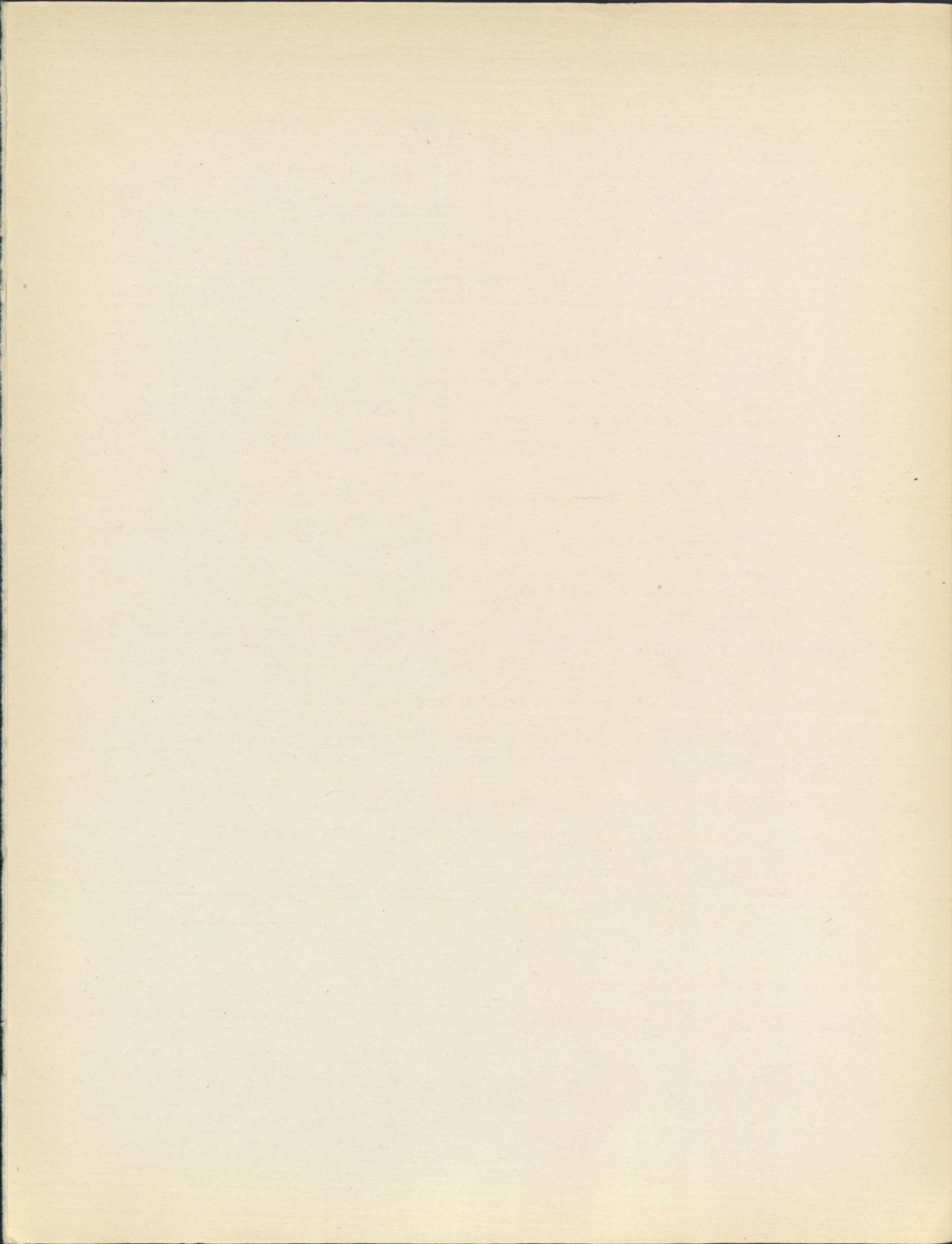
FIRST NATIONAL STORES INC.

STATEMENT OF EARNINGS—FISCAL YEAR ENDING MARCH 27, 1943

Sales		\$187,839,592
<i>Less:</i>		
Cost of sales, expenses, etc. (exclusive of depreciation)		180,764,909
		\$ 7,074,683
<i>Deduct:</i>		
Depreciation on fixed assets		986,380
		\$ 6,088,303
<i>Add—Other income:</i>		
Interest and dividends received		123,643
		\$ 6,211,946
<i>Deduct—Other charges:</i>		
Interest paid	\$ 109,681	
Loss on disposition of fixed assets (net)	118,186	227,867
		\$ 5,984,079
<i>Deduct:</i>		
Provision for estimated Federal taxes on income:		
Income taxes	\$1,307,000	
Excess profits taxes (after deducting \$246,000 for debt retirement credit)	2,212,000	3,519,000
		\$ 2,465,079
Net profit for the fiscal year ending March 27, 1943		\$ 2,465,079

STATEMENT OF SURPLUS FOR THE FISCAL YEAR ENDING MARCH 27, 1943

Earned surplus at March 28, 1942		\$ 18,889,476
<i>Add:</i>		
Net profit for the fiscal year ending March 27, 1943		2,465,079
		\$ 21,354,555
<i>Deduct:</i>		
Dividends paid on common stock		2,046,420
Earned surplus at March 27, 1943		\$ 19,308,135



1875
1876
1877